

June 5, 1997

**MEMORANDUM TO:** Distribution

**FROM:** Michael J. Rubino, Associate Director  
Acquisition Services Branch

**SUBJECT:** Policy Memorandum No. 97-008 - Invoice Review  
and Contractor Payment

1. Purpose. The purpose of Policy Memorandum No. 97-008 is to revise the policies and procedures in the Acquisition Policy Manual (APM) to establish additional supporting documentation requirements for contractor invoices and to clarify the prohibition on reimbursing contractors for their travel time.

2. References.

- (a) APM 7.I., *Contract Payments*, page 7-37.
- (b) APM, Exhibit XX, *Invoice Review Guidelines for Contract Specialists*.
- (c) Standard Contract Document, Version 2.0, paragraph 4.2, *Billing Instructions*.
- (d) General Provisions, Version 2.0, No. 19, *Invoice Preparation and Submission*.

3. Scope. This Policy Memorandum supplements Circular 3700.16, APM, dated October 3, 1997. It applies to all Contracting Officers and other Acquisition Services Branch (ASB) personnel involved in reviewing contractor invoices.

4. Background.

The Office of Internal Control Management (OICM), in conjunction with ASB and the Office of Inspector General (OIG), performed a review of the APM against the OIG's contract auditing standards. The purpose of the review was to determine whether the APM properly addresses the audit standards that may result in questioned costs.

As a result of the review, two APM changes are necessary. The first requires contractors to provide certified copies of original time sheets in support of direct labor charges under Time and Materials or Labor Hour contracts. This change will require a modification to the Standard Contract Document (paragraph 4.2.1.) and General Provisions (No. 19). The second prohibits a contractor from charging for employee travel time. This will only require an APM change. It is already covered in the Standard Contract Document (see 4.1. *Labor Rates* for a Labor Hour Contract Format).

5. APM Change. Therefore, in accordance with the foregoing, the following changes are made to the APM:

a. APM 7.I.1., Introduction, page 7-37, is changed to add the following sentences to the end of the existing paragraph:

“In this regard, FDIC shall only compensate the contractor for actual productive work hours exclusive of travel time, vacation, holiday, sick leave or other absences. In addition, FDIC shall only compensate the contractor for other contract costs, including but not limited to materials and travel, that are delivered in accordance with the terms and conditions of the contract and have been determined to be fair, reasonable and necessary. ”

b. APM 7.I.6.a., Invoice Requirements, page 7-38, is changed to add a new subparagraph (no. 14) as follows:

“(14) **Certified copies of time sheets** for contractor employees and, if applicable, subcontractor employees.”

6. Standard Document Changes. The Standard Contract Document and General Provisions, Versions 2.0 (November, 1996) will be modified on a global basis by the Policy Development and Compliance Section to incorporate the revised policy stated in paragraph 5.b. above. These document revisions will be provided on your local server shared drives as soon as possible. Until then, Contracting Officers shall add the following as the last sentence to paragraph no. 4.2.1. in the Standard Contract Document for all **new Labor Hour or Time and Material type contracts**:

“In addition to the requirements specified in the General Provision (paragraph B. *Contents of Invoices*), contractors shall provide certified copies of time sheets for all contractor employees and, if applicable, subcontractor employees in support of direct labor charges.”

7. Records Retention. Contractors are required to keep the original time sheets available for review three (3) years after final payment under the contract or for a longer period required by statute or by other provisions of the contract (See General Provision 19, *Audit of Records*).

8. Effective Date. This Policy Memorandum is effective immediately.

9. Contacts. If you have any questions regarding this Policy Memorandum, please call David McDermott on (202) 942-3434.

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